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TOWNSHIP OF BEARINGER
Presque Isle County, Michigan

GENERAL PURPOSE FINANCIAL STATEMENTS
RECEIVED
DEPT. OF TREASURY AND SUPPLEMENTARY INFORMATION

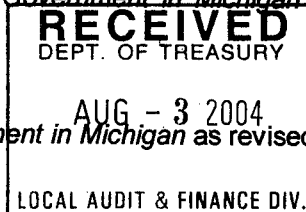
✓ AUG - 3 2004 Year Ended March 31, 2004

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Bearinger	County Presque Isle
Audit Date March 31, 2004	Opinion Date July 8, 2004	Date Accountant Report Submitted to State: July 8, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.



We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & CO., P.C.			

TOWNSHIP OF BEARINGER
Presque Isle County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

July 8, 2004

To the Township Board
Township of Bearinger
Presque Isle County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Bearinger, Presque Isle County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Bearinger's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Bearinger, Presque Isle County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Bearinger, Presque Isle County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF BEARINGER
Presque Isle County, Michigan

COMBINING BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>	
	<u>General</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long- Term Debt</u>
<u>Assets</u>				
Cash in bank	73 626 26	20 65	-	-
Investments	61 195 14	-	-	-
Accounts receivable	2 934 45	-	-	-
Taxes receivable	5 973 14	-	-	-
Due from other funds	20 65	-	-	-
Land and improvements	-	-	12 391 00	-
Buildings and improvements	-	-	108 929 50	-
Equipment	-	-	79 248 91	-
Amount to be provided for retirement of general long-term debt	-	-	-	42 914 78
Total Assets	<u>143 749 64</u>	<u>20 65</u>	<u>200 569 41</u>	<u>42 914 78</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Due to other funds	-	20 65	-	-
Contract payable	-	-	-	19 918 20
Note payable	3 500 00	-	-	22 996 58
Total liabilities	<u>3 500 00</u>	<u>20 65</u>	<u>-</u>	<u>42 914 78</u>
Fund equity:				
Investment in general fixed assets	-	-	200 569 41	-
Fund balances:				
Unreserved:				
Undesignated	140 249 64	-	-	-
Total fund equity	<u>140 249 64</u>	<u>-</u>	<u>200 569 41</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>143 749 64</u>	<u>20 65</u>	<u>200 569 41</u>	<u>42 914 78</u>

The accompanying notes are an integral part of these financial statements.

Total
(Memorandum
Only)

73 646 91
61 195 14
2 934 45
5 973 14
20 65
12 391 00
108 929 50
79 248 91

42 914 78

387 254 48

20 65
19 918 20

26 496 58

46 435 43

200 569 41

140 249 64

340 819 05

387 254 48

TOWNSHIP OF BEARINGER
Presque Isle County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 1

	Total (Memorandum Only) Governmental Fund Type General
Revenues:	
Property taxes	59 779 01
Other taxes	13 357 20
State revenue sharing	22 229 00
Charges for services – fees:	
Property tax administration	10 010 96
Interest	1 498 07
Miscellaneous	538 55
Total revenues	<u>107 412 79</u>
Expenditures:	
Legislative:	
Township Board	5 569 84
General government:	
Supervisor	5 500 00
Assessor	9 730 50
Audit and legal	2 100 00
Clerk	5 838 75
Board of Review	837 50
Treasurer	10 398 87
Building and grounds	3 809 73
Public safety:	
Fire protection	11 073 44
Public works:	
Highways and streets	2 100 00
Other:	
Insurance	3 231 00
Pension	1 353 50
Payroll taxes	378 07
Capital outlay	537 15
Debt service	24 917 30
Total expenditures	<u>87 375 65</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEARINGER
Presque Isle County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B
Page 2

	Total (Memorandum Only) <u>Governmental Fund Type General</u>
Excess of revenues over expenditures	20 037 14
Fund balance, April 1	<u>120 212 50</u>
Fund Balance, March 31	<u>140 249 64</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEARINGER
Presque Isle County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

Year Ended March 31, 2004

EXHIBIT C
Page 1

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Property taxes	52 400 00	59 779 01	7 379 01
Other taxes	13 350 00	13 357 20	7 20
State revenue sharing	25 000 00	22 229 00	(2 771 00)
Charges for services – fees:			
Property tax administration	9 500 00	10 010 96	510 96
Interest	1 000 00	1 498 07	498 07
Miscellaneous	<u>3 150 00</u>	<u>538 55</u>	<u>(2 611 45)</u>
Total revenues	<u>104 400 00</u>	<u>107 412 79</u>	<u>3 012 79</u>
Expenditures:			
Legislative:			
Township Board	6 230 00	5 569 84	(660 16)
General government:			
Supervisor	5 920 00	5 500 00	(420 00)
Elections	425 00	-	(425 00)
Assessor	9 775 00	9 730 50	(44 50)
Audit and legal	2 100 00	2 100 00	-
Clerk	6 380 00	5 838 75	(541 25)
Board of Review	1 140 00	837 50	(302 50)
Treasurer	10 580 00	10 398 87	(181 13)
Building and grounds	5 190 00	3 809 73	(1 380 27)
Public safety:			
Fire protection	11 075 00	11 073 44	(1 56)
Public works:			
Highways and streets	2 250 00	2 100 00	(150 00)
Other:			
Insurance	3 700 00	3 231 00	(469 00)
Pension	2 875 00	1 353 50	(1 521 50)
Payroll taxes	975 00	378 07	(596 93)
Capital outlay	600 00	537 15	(62 85)
Debt service	<u>35 420 00</u>	<u>24 917 30</u>	<u>(10 502 70)</u>
Total expenditures	<u>104 635 00</u>	<u>87 375 65</u>	<u>(17 259 35)</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEARINGER
Presque Isle County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND

Year Ended March 31, 2004

EXHIBIT C
Page 2

	<u>General Fund</u>		<u>Over (Under) Budget</u>
	<u>Budget</u>	<u>Actual</u>	
Excess (deficiency) of revenues over expenditures	(235 00)	20 037 14	20 272 14
Fund balance, April 1	<u>101 540 00</u>	<u>120 212 50</u>	<u>18 672 50</u>
Fund Balance, March 31	<u>101 305 00</u>	<u>140 249 64</u>	<u>38 944 64</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF BEARINGER
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Bearinger, Presque Isle County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Bearinger. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent or in trust for others.

Account Groups

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

TOWNSHIP OF BEARINGER
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

General Long-Term Debt Account Group

This account group presents the general long-term debt of the local unit.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2003 tax roll millage rate was 1.8208 mills, and the taxable value was \$38,556,529.00.

TOWNSHIP OF BEARINGER
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.

TOWNSHIP OF BEARINGER
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

TOWNSHIP OF BEARINGER
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 2 – Deposits and Investments (continued)

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>73 646 91</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	76 243 05
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>76 243 05</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
<u>Investment Type</u>				
Risk-Categorized:				
Operating Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

TOWNSHIP OF BEARINGER
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	-
Nonrisk-Categorized: Financial Institution Pooled Funds				<u>61 195 14</u>
Total Investments				<u>61 195 14</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 3 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land and improvements	12 391 00	-	-	12 391 00
Buildings and improvements	108 929 50	-	-	108 929 50
Equipment	<u>78 711 76</u>	<u>537 15</u>	<u>-</u>	<u>79 248 91</u>
Totals	<u>200 032 26</u>	<u>537 15</u>	<u>-</u>	<u>200 569 41</u>

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	<u>20 65</u>	Current Tax Collection	<u>20 65</u>
Total	<u>20 65</u>	Total	<u>20 65</u>

TOWNSHIP OF BEARINGER
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 5 – Changes in General Long-Term Debt

A summary of changes in general long-term debt follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/04</u>
Contract payable – fire truck	29 255 44	-	9 337 24	19 918 20
Note payable – fire building	<u>34 935 25</u>	<u>-</u>	<u>11 938 67</u>	<u>22 996 58</u>
Totals	<u>64 190 69</u>	<u>-</u>	<u>21 275 91</u>	<u>42 914 78</u>

Note 6 – Contract Payable – Fire Truck

On June 4, 1998, the Township obtained a loan in the amount of \$66,342.75 for the purchase of a half interest in a fire truck. The contract requires eight annual payments beginning April 1, 1999, in the amount of \$10,278.14 including interest at the rate of 5.35% per annum. The contract payable is recorded in the General Long-Term Debt Group of Accounts.

Note 7 – Note Payable – Fire Building

On March 1, 1999, the Township obtained a loan in the amount of \$82,170.12 for the purchase of a half interest in a fire building. The loan requires eight annual payments beginning March 1, 1999, in the amount of \$13,180.13 including interest at the rate of 5.9% per annum. The note payable is recorded in the General Long-Term Debt Group of Accounts.

Note 8 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 9 – Pension Plan

The Township has a defined contribution pension plan covering substantially all full-time employees. During the year ended March 31, 2004, the Township contributed \$1,228.50 to the plan.

TOWNSHIP OF BEARINGER
Presque Isle County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 10 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 11 – Building Permits

The Township of Bearinger does not issue building permits. Building permits are issued by the County of Presque Isle.

Note 12 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF BEARINGER
Presque Isle County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 1

Township Board:	
Salaries	3 825 00
Community relations	54 46
Travel and expenses	914 67
Printing and publishing	<u>775 71</u>
	5 569 84
Supervisor:	
Salary	<u>5 500 00</u>
Assessor:	
Contracted services	9 125 00
Postage	<u>605 50</u>
	9 730 50
Audit and legal	<u>2 100 00</u>
Clerk:	
Salary	5 500 00
Deputy Clerk	150 00
Office supplies	<u>188 75</u>
	5 838 75
Board of Review:	
Wages	787 50
Travel and expenses	<u>50 00</u>
	837 50
Treasurer:	
Salary	5 500 00
Deputy Treasurer	150 00
Data processing	1 813 64
Office supplies	<u>2 935 23</u>
	10 398 87
Building and grounds:	
Contracted services – custodian	1 000 00
Utilities	1 354 08
Repairs and maintenance	340 65
Rubbish removal	<u>1 115 00</u>
	3 809 73
Fire protection:	
Contracted services	<u>11 073 44</u>

TOWNSHIP OF BEARINGER
Presque Isle County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D
Page 2

Highways and streets:	
Repairs and maintenance	<u>2 100 00</u>
Insurance	<u>3 231 00</u>
Pension	<u>1 353 50</u>
Payroll taxes	<u>378 07</u>
Capital outlay	<u>537 15</u>
Debt service	<u>24 917 30</u>
Total Expenditures	<u>87 375 65</u>

TOWNSHIP OF BEARINGER
Presque Isle County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2004

EXHIBIT E

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/04</u>
<u>Assets</u>				
Cash in bank	<u>1 060 27</u>	<u>933 986 94</u>	<u>935 026 56</u>	<u>20 65</u>
Total Assets	<u>1 060 27</u>	<u>933 986 94</u>	<u>935 026 56</u>	<u>20 65</u>
<u>Liabilities</u>				
Due to other funds	<u>1 060 27</u>	<u>63 837 48</u>	<u>64 877 10</u>	<u>20 65</u>
Due to others	<u>-</u>	<u>870 149 46</u>	<u>870 149 46</u>	<u>-</u>
Total Liabilities	<u>1 060 27</u>	<u>933 986 94</u>	<u>935 026 56</u>	<u>20 65</u>

TOWNSHIP OF BEARINGER
Presque Isle County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
Year Ended March 31, 2004

EXHIBIT F

Cash in bank – beginning of year	<u>1 060 27</u>
Cash receipts:	
Property tax	924 778 05
Property tax administration fees	<u>9 208 89</u>
Total cash receipts	<u>933 986 94</u>
Total beginning balance and cash receipts	<u>935 047 21</u>
Cash disbursements:	
Township General Fund	64 877 10
Presque Isle County	440 348 13
Onaway Schools	426 573 41
Cheboygan Schools	108 70
Refunds	<u>3 119 22</u>
Total cash disbursements	<u>935 026 56</u>
Cash in Bank – End of Year	<u>20 65</u>

CAMPBELL, KUSTERER & CO., P.C.

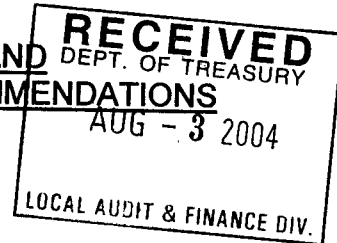
CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS



July 8, 2004

To the Township Board
Township of Bearinger
Presque Isle County, Michigan

We have audited the financial statements of the Township of Bearinger, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Bearinger in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Bearinger
Presque Isle County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of Bearinger
Presque Isle County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Bearinger will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants